



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

**Pete Loewen, Matt Hines,  
Doug Biswell, LaVell Winsor  
866 341 6700**

**www.loewenassociates.com**

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Finally got a nice day of green ink in the cattle complex. The strength was more focused on the feeder market than live prices. Some of it spilled into the hogs as well, although the lean hog futures also had a couple contracts in the red yet at the closing bell. Crude was up and the dollar index down most of the session, so outside forces weren't so much of a negative influence on price. Honestly though given the continued strong speculative and large money fund related selling lately, this may be no more than a dead cat bounce in a technically bearish market... Cash has already traded \$4-\$9 lower dressed in Nebraska, along with \$4-\$5 lower live, so cash is still following futures lower, albeit reluctantly given the approximate \$7 positive basis still.

Tomorrow afternoon we get monthly COF data. In a general sense, analysts are looking for larger On Feed supplies compared to a year ago, lower placements and lower marketings as well. The range of guesses for the On Feed total on January 1 are from 101.3% up to 102.4% of a year ago. Placements in December are pegged in a range from 94.5% up to 99.4% of a year ago, which is a surprisingly tight range in those guesses compared to normal pre-report estimates. Marketings in December are estimated between 92.3% and 95.5%.

With average carcass weights on cattle still towering over year ago levels and deferred futures discount to the front month, as well as spot February futures being strongly discount to cash, that's not a good market setup for getting higher cash. That weight situation might be tamed some this week with the heavy snow forecasted over the Panhandle region, but that's also a small area compared to the entire range of key cattle feeding capacity from Nebraska down into west Texas. I don't look for much support coming from the snow.

Cattle slg. \_\_\_ 110,000 +6k wa -10k ya

Choice Cutout \_\_ 257.19 -1.05

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Select Cutout\_\_\_248.41 -.42

Feeder Index:\_\_\_221.08 -.79

Lean Index.\_\_\_74.55 -.30

Pork cutout\_\_\_87.04 +1.13

IA-S.MN direct avg\_\_71.08 +2.35

Hog slg.\_\_\_ 431,000 -2k wa +18k ya

Yesterday's grain trade settled lower in corn and wheat and mildly higher in beans. Two consecutive cancellations on Chinese soybean purchases were somewhat offset by a big new buy yesterday morning. I'm not sure if that was a market mover in the price action, but if cancellations continue it will definitely get even more attention in coming weeks. Seeing March soybeans go from a 10.61 high to a 9.72 low in a matter of 6 sessions over the last two weeks already had the market on red alert. Not only did that drop take out the strong technical support from the choppy, sideways trade beans had been in from late October into early January, but now the cancellations have fundamental traders on alert as well.

Texas and southern Oklahoma wheat got a little relief from the snow and rain over the last 24 hours and through today. Probably not enough to fully alleviate the dryness in some areas, but any moisture is better than no moisture, especially as we get closer and closer to wheat breaking dormancy in some areas.

**Pete Loewen**

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[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

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